

Message Text

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10

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 /098 W

----- 122271

R 132157Z AUG 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1165

INFO AMEMBASSY CARACAS

AMEMBASSY BOGOTA

AMCONSUL GUAYAQUIL

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

UNCLAS QUITO 5760

E.O. 11652: N/A

TAGS: ECIN, EC

SUBJECT: GOE MINISTER OFFERS SPECIFIC PROPOSAL FOR MODIFICATION OF
DECISION 24

1. ON THE EVE OF HIS DEPARTURE FOR BOGOTA TO ATTEND THE
LATEST MEETING OF REPRESENTATIVES OF THE ANDEAN PACT COUNTRIES
(SANS CHILE), THE GOE MINISTER OF INDUSTRIES, COMMERCE AND
INTEGRATION, GALO MONTANO, TOLD ECUADOREAN JOURNALISTS
THAT HE WILL PROPOSE AT THE MEETING A REVISION OF DECISION 24

TO MAKE THE LIMITATION ON REPATRIATION OF INVESTMENT
PROFITS "MORE ATTRACTIVE AND GENEROUS." SPECIFICALLY, THE
MINISTER SAID, HE WILL PROPOSE THAT THE PRESENT FOURTEEN
PERCENT LIMITATION BE REVISED TO A LIMIT FORMULATED AS
"THE SUM OF THE COST OF MONEY IN CAPITAL MARKETS PLUS TEN
PERCENT."

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2. AS QUOTED IN A FRONT-PAGE ARTICLE IN THE LEADING QUITO

DAILY, "EL COMERCIO," ON AUGUST 13, THE MINISTER TOLD THE NEWSMEN (IN OUR INFORMAL TRANSLATION): "FOURTEEN PERCENT AS THE LIMIT OF REPATRIATION OF PROFITS IS RIGID AND A BIT LOW. ENTREPRENEURS ARE PRAGMATIC AND THEY INVEST WHERE THEY ATTAIN THE BEST BENEFIT. FOR THAT REASON, AS A CONCILIATORY FORMULA WE WILL MAINTAIN THAT THE REPATRIATION OF PROFITS SHOULD BE VARIABLE AND PROPORTIONAL TO THE COST OF MONEY. CONCRETELY, WE PROPOSE THAT THE RULE FOR REPATRIATION OF PROFITS SHOULD BE THE SUM OF THE COST OF MONEY IN WORLD MARKETS PLUS TEN PERCENT."

3. THE ARTICLE SAYS THAT MONTANO PUT THE PRESENT COST OF MONEY IN THE PRINCIPAL CAPITAL MARKETS (THE LOCATION OF WHICH HE DID NOT SPECIFY) AT ABOUT 7.5 PERCENT.

4. AS IN HIS PREVIOUS PUBLIC STATEMENTS AND DISCUSSIONS WITH EMBOFFS, MONTANO REAFFIRMED THAT FOR ECUADOR THE MAIN CURRENT PROBLEM REGARDING THE ANDEAN PACT IS NOT DECISION 24 BUT RATHER CHILE'S INSISTENCE ON A LOW COMMON EXTERNAL TARIFF. "IN THIS POINT THE GOVERNMENT OF CHILE IS TAKING A POSITION OF LIBERALISM THAT DOES NOT ACCORD WITH THE PRINCIPLE OF PROTECTION FOR THE INDUSTRIES AND THE DEVELOPMENT OF THE SMALLER COUNTRIES," MONTANO SAID, ACCORDING TO THE ARTICLE. "WE ARE GOING (TO THE BOGOTA MEETING) WITH A CONCILIATORY SPIRIT", HE ADDED, "BUT, ON THE OTHER HAND, WE ARE GOING AS WELL TO DEFEND THIS COUNTRY. IF WE YIELD ON THIS POINT THERE WILL BE NO POSSIBILITY OF DEVELOPMENT FOR ECUADOR. IN THAT WHICH REFERS TO THE COMMON EXTERNAL TARIFF WE WILL YIELPU VERY LITTLE."
BLOOMFIELD

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